QMX GOLD CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the three months ended
March 31, 2015 and 2014
(expressed in Canadian dollars)

QMX GOLD CORPORATION

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

QMX GOLD CORPORATION

Condensed Interim Consolidated Statements of Financial Position

UNAUDITED

in Canadian dollars

	Notes	March 31, 2015	December 31, 2014
ASSETS			
Current assets:			
Cash and cash equivalents		$ 805,551	$ 1,466,330
Restricted cash	14	3,903,708	3,900,000
Amounts receivable	6	256,116	216,100
Inventories	7	3,271,845	2,302,314
Prepaid expenses	8	1,085,156	618,081
Investments	9	4,922	4,922
Total current assets		9,327,298	8,507,747
Non-current assets:			
Property, plant and equipment	10	3,553,651	3,937,029
Assets held for sale	12	20,420,769	19,790,330
Mineral properties and deferred exploration expenditures	11	28,060,212	28,059,488
TOTAL ASSETS		$ 61,361,930	$ 60,294,594
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	13, 26	$ 10,238,498	$ 9,686,482
Liabilities of assets held for sale	12	5,069,558	4,964,661
Short term loan	14	21,923,279	19,191,319
Debentures	15	4,803,533	4,698,283
Debenture	16	1,681,219	1,461,512
Provision for closure and reclamation		563,000	557,000
Total current liabilites		44,279,087	40,559,257
Non-current liabilities :			
Provision for closure and reclamation	17	2,865,500	2,723,000
Total liabilities		47,144,587	43,282,257
Equity:			
Share capital	18	133,576,803	133,576,803
Commitment to issue shares	20	148,150	148,150
Share-based payments reserve	19	1,025,440	1,025,680
Transaction with owners	20	100,845	100,845
Accumulated deficit		(120,633,895)	(117,839,141)
Total equity		14,217,343	17,012,337
TOTAL LIABILITIES AND EQUITY		$ 61,361,930	$ 60,294,594

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Approved on behalf of the Directors:

"David Rigg"
Director

"Robert Bryce"
Director

QMX GOLD CORPORATION

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
UNAUDITED
in Canadian dollars

	Notes	Three months ended March 31, 2015	2014
Revenue		**$ 4,624,086**	$ 9,095,349
Cost of sales			
Mine operating expenses		**(2,824,841)**	(7,222,289)
Depletion and depreciation		**(391,145)**	(1,757,902)
Cost of sales		**(3,215,986)**	(8,980,191)
Gross income		**1,408,100**	115,158
Other income and expenses			
Professional, consulting and management	19	**(304,855)**	(306,613)
Other general and administrative expenses		**(109,862)**	(125,152)
Other gains and (losses)	21	**(2,158,140)**	(577,568)
Finance income		**8,938**	17,287
Finance costs	22	**(1,639,175)**	(885,807)
Reversal of impairment on mineral properties	12	**-**	358,535
Net (loss) and comprehensive (loss) for the period		**$ (2,794,994)**	$ (1,404,160)
Net (loss) per share			
Basic	23	**$ (0.07)**	$ (0.04)
Diluted	23	**$ (0.07)**	$ (0.04)
Weighted average number of shares outstanding:			
Basic	23	**38,325,574**	38,325,574
Diluted	23	**38,325,574**	38,325,574

QMX GOLD CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

UNAUDITED

in Canadian dollars

	Notes	Three months ended March 31, 2015		Three months ended March 31, 2014
Cash provided by (used in) operating activities:				
Net (loss)		$ **(2,794,994)**	$	(1,404,160)
Items not involving cash:				
Depletion and depreciation		**391,145**		1,757,902
Non-cash (gain) on marketable securities		**-**		(355,436)
Accretion and financing costs, net of discount		**1,630,685**		832,936
Unrealized foreign exchange loss		**2,383,882**		970,898
Reversal of impairment on mineral properties	11	**-**		(358,535)
Non-cash gain on sale of shares		**-**		(34,407)
Non-cash gain on sale of asset	10	**(238,069)**		-
Working capital adjustments:				
Change in receivables		**(43,724)**		(126,310)
Change in prepaid expenses		**(467,075)**		(180,385)
Change in inventories		**(983,616)**		856,378
Change in payables and provisions		**110,168**		318,019
Net cash (used in)/provided by operating activities		**(11,598)**		2,276,900
Investing activities				
Investment in mineral properties and deferred exploration expenditures		**(14,160)**		(5,233)
Property, plant and equipment expenditures		**(99,178)**		-
Expenditures on assets held for sale	12	**(307,440)**		(368,283)
Working capital adjustments related to investing activities		**(228,603)**		26,918
Cash proceeds from sale of assets	10	**501,000**		-
Cash proceeds from sale of shares		**-**		165,607
Net cash (used in) investing activities		**(148,381)**		(180,991)
Financing activities				
Financing costs and interest on short-term loans		**(500,800)**		(893,320)
Finance lease payments		**-**		(6,559)
Net cash (used in) financing activities		**(500,800)**		(899,879)
Change in cash and cash equivalents		**(660,779)**		1,196,030
Cash and cash equivalents, beginning of the period		**1,466,330**		414,850
Cash and cash equivalents, end of the period		**805,551**	$	1,610,880
Cash and cash equivalents are comprised of:				
Cash in bank		**650,703**	$	1,580,277
Cash equivalents		**154,848**		30,603
Non-cash investing and financing transactions				
Accounts payable converted to long-term debt		**-**	$	1,716,328
Depreciation charged to mineral properties		**316**		19,303
Interest paid		**53,139**		84,333

QMX GOLD CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity

UNAUDITED

in Canadian dollars

	Share capital		Commitment to issue shares	Equity Component of Convertible debenture	Share-based payments reserve	Transaction with owners	Accumulated Deficit	Total equity
	No.	$	$	$	$	$	$	$
Balance, December 31, 2014	38,325,574	133,576,803	148,150	-	1,025,680	100,845	(117,839,141)	17,012,337
Expiry of stock options	-	-	-	-	(240)	-	240	-
Loss for the period	-	-	-	-	-	-	(2,794,994)	(2,794,994)
Balance, March 31, 2015	**38,325,574**	**133,576,803**	**148,150**	**-**	**1,025,440**	**100,845**	**(120,633,895)**	**14,217,343**
Balance, December 31, 2013	38,325,574	133,576,803	148,150	1,512,541	1,679,181	100,845	(108,492,561)	28,524,959
Expiry of stock options	-	-	-	-	(10,080)	-	10,080	-
Loss for the period	-	-	-	-	-	-	(1,404,160)	(1,404,160)
Balance, March 31, 2014	**38,325,574**	**133,576,803**	**148,150**	**1,512,541**	**1,669,101**	**100,845**	**(109,886,641)**	**27,120,799**

-See accompanying notes to the condensed interim consolidated financial statements -

1. Nature of operations and going concern

QMX Gold Corporation ("QMX" or the "Company") currently has interests in mineral exploration and evaluation properties in the province of Québec. Subsequent to the end of the quarter, the Company sold its mining project in Manitoba. The Company is mining out its Lac Herbin deposit and is also continuing to focus on the exploration and evaluation of its other gold and base metal projects within these regions. The registered head office of the Company is located at 65 Queen Street West, Suite 815, Toronto, Ontario, Canada. The Company's shares trade on the TSX Venture Exchange under the symbol "QMX".

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and evaluation programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

These condensed interim consolidated financial statements of the Company for the three months ended March 31, 2015 and 2014 were approved and authorized for issue by the Board of Directors on May 28, 2015.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

The Company has a need for equity capital and financing for working capital and exploration and evaluation of its properties. Because of continuing operating losses, a working capital deficiency and the default of significant amounts of debt, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. On October 8, 2014, the lenders delivered to the Company a notice of intention to enforce security pursuant to section 244 of *Bankruptcy and Insolvency Act (Canada)* (the "Act"). Subsequent to the end of the quarter, the Company sold its Snow Lake assets, and the proceeds from this transaction were applied against the outstanding debt (Note 28).

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards "IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

2. Basis of preparation

These condensed interim consolidated financial statements of the Company and its subsidiary were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out in the Company's annual consolidated financial statements for the year ended December 31, 2014 were consistently applied to all the periods presented unless otherwise noted below.

The preparation of condensed interim financial statements in accordance with International Account Standards ("IAS") 34, Interim Financial Reporting, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. Certain disclosures included in annual financial statements have been condensed or omitted.

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are stated at their fair values. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. New and future accounting policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2015.

IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014. At January 31, 2015, the Company has adopted this standard and has made the required disclosure.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

4. Principles of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiary, Garson.

Subsidiaries
Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated form the date control ceases.

Business Combinations and Goodwill
On the acquisition of a subsidiary, the purchase method of accounting is used to account for the acquisition as follows:

- cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- directly attributable transaction costs are expensed as incurred;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date except for non-current assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5"), which are recognized and measured at fair value less costs to sell;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- if the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss;
- the interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholder's fair value; and
- the measurement of contingent consideration at fair value on the acquisition date is preformed with subsequent changes in the fair value recorded through the consolidated statements of operations and comprehensive income/(loss).

4. Principles of consolidation (continued)

All material intercompany transactions are eliminated on consolidation. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized and is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The level at which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal purposes, but shall not be larger than an operating segment determined in accordance with IFRS 8, Operating Segments ("IFRS 8"). Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Transactions and non-controlling interests
Transactions with non-controlling interests are treated as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between the consideration paid and the non-controlling share of the carrying value of net assets acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are similarly computed and also recorded in equity.

5. Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment charges
  In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Capitalization of exploration and mineral property expenditures
  Management has determined that mineral property and exploration and evaluation costs incurred during the period have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 13 for details of capitalized mineral property and exploration and evaluation costs.

- Tax credits receivable
  The Company receives assistance in the form of refundable tax credits from the Québec provincial government. The Company estimates the amounts recoverable based on the relevant tax laws and recognizes a current asset, applying the credits against the mineral exploration properties to which they apply. Such estimates are subject to change based on changes in laws and regulations.

- Mineral reserve estimates
  The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

(Expressed in Canadian dollars unless otherwise noted)

5. Significant accounting judgments, estimates and assumptions (continued)

- Impairment of mineral properties and deferred exploration expenditures
  While assessing whether any indications of impairment exist for mineral properties and deferred exploration expenditures, including producing properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties and deferred exploration expenditures. Internal sources of information include the manner in which mineral properties and deferred exploration expenditures are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties and deferred exploration expenditures.

- Estimation of decommissioning and restoration costs and the timing of expenditure
  The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Income taxes and recoverability of potential deferred tax assets
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-based payments
  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Contingencies
  Refer to Note 27.

6. Amounts receivable

	March 31, 2015	December 31, 2014
Trade receivables	$ 191,726	$ -
Taxes receivable	48,828	135,031
Interest receivable	4,668	73,097
Other receivables	10,894	7,972
	$ 256,116	$ 216,100

(Expressed in Canadian dollars unless otherwise noted)

7. Inventories

		March 31, 2015		December 31, 2014
Materials and supplies	$	528,214	$	698,738
Stockpiled ore		2,234,931		1,059,611
Gold brick or doré bars		508,700		543,965
	$	3,271,845	$	2,302,314

The amount of inventories recognized as an expense during the three months ended March 31, 2015 is $3,215,986 (March 31, 2014: $8,980,191).

All inventory is carried at the lower of cost and net realizable value. Materials and supplies inventory is recorded at cost as at March 31, 2015 and December 31, 2014. As at March 31, 2015 and December 31, 2014, stockpiled ore and gold brick or doré bars were recorded at cost. For the three months ended March 31, 2015 and 2014, there was no impairment of inventory and consequently no impairment adjustments were recorded to operating costs for those periods.

8. Prepaid expenses

		March 31, 2015		December 31, 2013
Mining supplier advances	$	422,682	$	322,388
Reclamation deposits		568,153		187,596
Insurance		29,150		78,290
Corporate and property tax advances		65,171		29,807
	$	1,085,156	$	618,081

9. Investments

The Company's investments, held through its subsidiary, include shares in the following securities. These securities are classified as fair value through profit or loss ("FVTPL").

		March 31, 2015			December 31, 2014		
	Classification	No. held		Value	No. held		Value
Current investments							
Centurion Minerals, Ltd.	FVTPL	85,000	$	4,250	85,000	$	4,250
Takara Resources, Inc.	FVTPL	33,600		672	33,600		672
Total investments			$	4,922		$	4,922

(Expressed in Canadian dollars unless otherwise noted)

10. Property, plant and equipment

	Office equipment and furniture	Machinery and equipment	Mobile equipment	Buildings	Mill	TOTAL
Cost as at December 31, 2014	$ 217,722	$ 3,284,497	$ 5,328,228	$ 3,142,692	$ 11,301,843	$ 23,274,982
Additions	-	-	-	-	99,178	99,178
Disposals	-	-	(1,380,500)	-	-	(1,380,500)
Change in rehabilitation provision	-	-	-	-	120,000	120,000
Cost as at March 31, 2015	**$ 217,722**	**$ 3,284,497**	**$ 3,947,728**	**$ 3,142,692**	**$ 11,521,021**	**$ 22,113,660**
Depreciation, depletion and impairment as at December 31, 2014	$ (184,994)	$ (3,097,932)	$ (3,835,043)	$ (1,911,198)	$ (10,308,786)	$ (19,337,953)
Charge for the period	(24,302)	(39,915)	(87,450)	(74,112)	(113,845)	(339,624)
Disposals	-	-	1,117,568	-	-	1,117,568
Depreciation, depletion and impairment as at March 31, 2015	**$ (209,296)**	**$ (3,137,847)**	**$ (2,804,925)**	**$ (1,985,310)**	**$ (10,422,631)**	**$ (18,560,009)**
Net book value as at December 31, 2014	$ 32,728	$ 186,565	$ 1,493,185	$ 1,231,494	$ 993,057	$ 3,937,029
Net book value as at March 31, 2015	**$ 8,426**	**$ 146,650**	**$ 1,142,803**	**$ 1,157,382**	**$ 1,098,390**	**$ 3,553,651**

During the three months ended March 31, 2015, the Company expensed $352,893 in depreciation after inventory adjustments to the statements of operations and comprehensive loss (March 31, 2014: $240,378) and charged $316 to mineral properties and deferred exploration expenditures (March 31, 2014: $19,303).

Included in property, plant and equipment is the Val-d'Or mill that has been operating since the second quarter of 2010. The Company recognized a depreciation expense, calculated on a unit-of-production basis, of $113,845 on the mill for the three months ended March 31, 2015 (March 31, 2014: $72,625).

During the three months ended March 31, 2015, the Company sold equipment with a net book value of $262,932 for proceeds of $501,000 (March 31, 2014: $nil). The Company consequently recognized a gain of $238,069 for the three months ended March 31, 2015 (March 31, 2014: $nil).

The assets related to the Snow Lake property have been reclassified as assets held for sale (Note 12).

(Expressed in Canadian dollars unless otherwise noted)

11. Mineral properties and deferred exploration expenditures

	PRODUCING PROPERTY	NON-PRODUCING PROPERTIES			
	Lac Herbin, Quebec	Lac Pelletier, Quebec	VMS, Quebec	Aurbel, Quebec	TOTAL
Cost as at December 31, 2014	$ 41,137,486	$ 19,407,526	$ 13,392,365	$ 7,458,030	$ 81,395,407
Additions	-	345	4,215	9,917	14,477
Change in rehabilitation provision	6,000	18,000	-	-	24,000
Cost as at March 31, 2015	**$ 41,143,486**	**$ 19,425,871**	**$ 13,396,580**	**$ 7,467,947**	**$ 81,433,884**
Accumulated depletion and impairment as at December 31, 2014	$ (40,409,196)	$ (12,926,723)	$ -	$ -	$ (53,335,919)
Charge for the period	(37,753)	-	-	-	(37,753)
Accumulated depletion and impairment as at March 31, 2015	**$ (40,446,949)**	**$ (12,926,723)**	**$ -**	**$ -**	**$ (53,373,672)**
Net book value as at December 31, 2014	$ 728,290	$ 6,480,803	$ 13,392,365	$ 7,458,030	$ 28,059,488
Net book value as at March 31, 2015	**$ 696,537**	**$ 6,499,148**	**$ 13,396,580**	**$ 7,467,947**	**$ 28,060,212**

Aurbel Property (including Lac Herbin), Québec

The Company holds a 100% interest in the Aurbel Property (including Lac Herbin), subject to a 4.5% Net Smelter Royalty ("NSR"). Forbes & Manhattan Inc. holds 2% of the NSR. See Notes 16 and 26.The remaining 2.5% NSR is held by Teck Resources Limited.

Lac Pelletier Property, Rouyn-Noranda, Québec

Pursuant to the September 2005 option agreement with Thundermin Resources Inc. ("Thundermin"), the Company was entitled to acquire a 100% interest in the Lac Pelletier Property, subject to a 3.5% NSR royalty and $1/tonne toll charge, by spending $1,000,000 in exploration expenditures by September 1, 2008. During 2007, the Company met its expenditure obligations.

Pursuant to the agreement, the Company extended its decision deadline and was required to make a production decision by September 1, 2009 and reach commercial production by September 1, 2010. The Company further amended this agreement such that the production decision deadline had been extended to September 1, 2010 with a payment of $100,000 in 2009. Prior to September 1, 2010, the Company issued a production commitment notice to Thundermin, thereby exercising its option to acquire the Lac Pelletier Property. Thundermin has initiated an arbitration proceeding pursuant to which it has claimed that the purported exercise by the Company of its option to acquire a 100% interest in the property is invalid. Arbitration proceedings took place in August 2013. The arbitrator delivered its binding decision that the Company's exercise of this option was valid as of August 31, 2010. The arbitrator has set out a series of deadlines whereby the parties must agree on the ultimate date for the achievement of commercial production. If commercial production is not achieved before August 31, 2015, the Company will be required to make advance royalty payments of $75,000 annually until commercial production is achieved. The Company has until June 2018 to achieve commercial production.

During 2009, the Company entered into a property acquisition agreement to acquire a 100% interest in four mining claims located near Lac Pelletier, subject to a 2% NSR. The Company has the option to purchase, at any time, 50% of the NSR for US$1,000,000.

VMS Properties, Québec

The Company holds a 100% interest in the VMS properties, subject to Teck Resources Limited (formerly Aur Resources Ltd.) retaining between a 2% and a 2.5% NSR on the properties depending on pre-existing underlying royalties. Certain claims forming part of this property are subject to NSR royalties of 1% to 2.5%, net profits royalties of 5% or net proceeds of production royalties of 10% or 25 cent charge per ton milled. Certain of the properties were held under previously existing joint venture agreements. The other party to these agreements has opted to no longer fund the properties.

(Expressed in Canadian dollars unless otherwise noted)

11. Mineral properties and deferred exploration expenditures (continued)

McMillan Property, Ontario

In December 2011, the Company entered into an agreement to option out its indirect 100% interest in the McMillan Property (held by Garson) to Canadian Star Minerals Ltd. ("Canadian Star"). Under the terms of the agreement, Canadian Star can acquire up to a 65% interest in this property in such increments as outlined below:

- 30% interest with $200,000 in exploration and evaluation expenditures made before December 31, 2012 and the issuance of 300,000 common shares of Canadian Star at such time as Canadian Star's shares are listed on the TSX or TSX Venture;
- An additional 10% interest with an additional $200,000 in exploration and evaluation expenditures made before December 31, 2013 and the issuance of 300,000 common shares of Canadian Star;
- An additional 10% interest with an additional $200,000 in exploration and evaluation expenditures made before December 31, 2014 and the issuance of 300,000 common shares of Canadian Star;
- A further 15% interest if during a two year period after the third anniversary of the date of signing of the agreement, Canadian Star shall complete an economic feasibility study.

If Canadian Star's common shares do not trade on the TSX or TSX Venture by the above noted deadlines, Canadian Star shall pay cash in lieu of shares to the Company at a deemed rate of $0.25 per share.

The Company is currently in negotiations with Canadian Star to extend these deadlines as the payments have not been made to date.

The carrying value for this property is $nil as at March 31, 2015 (December 31, 2014: $nil).

12. Assets held for sale and liabilities of assets held for sale

Snow Lake, Manitoba

Through the acquisition of Garson, the Company acquired a 100% interest in the New Britannia Gold Mine ("NBM") in Snow Lake, Manitoba. The Company subsequently renamed the mine "Snow Lake Mine".

Subsequent to the end of the quarter, the Company completed the sale of the Snow Lake property to Hudbay Minerals Inc. ("Hudbay"). Under the terms of the agreement, Hudbay has acquired 100% of the Company's interest in the Snow Lake project (Note 28). The proceeds were used to pay down the Company's short-term loan (Note 14).

The Company assessed the value of the Snow Lake property at March 31, 2015 for impairment, and did not record adjustments to its carrying value during the three months ended March 31, 2015 (March 31, 2014: the Company recorded a reversal of impairment of $358,535).

The Company presented the various assets and liabilities associated with this property separately on the Statement of Financial Position as at March 31, 2015 in accordance with IFRS 5 – Non-current assets held for sale and discontinued operations. The following table summarizes the assets and liabilities related to the Snow Lake mine.

	March 31, 2015	December 31, 2014
ASSETS		
Property, plant and equipment	$ 8,360,040	$ 8,377,121
Restricted cash equivalents	1,867,000	1,867,000
Mineral properties and deferred exploration expenditures	10,193,729	9,546,209
	$ 20,420,769	$ 19,790,330
LIABILITIES		
Accounts payable and accrued liabilities	$ 375,058	$ 603,661
Provision for closure and reclamation	4,694,500	4,361,000
	$ 5,069,558	$ 4,964,661

The Company is carrying a term deposit of $1,867,000 relating to financial assurance with the Manitoba Government that the Snow Lake mine site will be closed according to the terms of the existing and approved closure plan. Subsequent to the end of the quarter, with the sale of the Snow Lake assets and according to the terms of the asset purchase agreement, the Company transferred these funds to Hudbay who have taken over the reclamation liabilities for the Snow Lake mine site.

(Expressed in Canadian dollars unless otherwise noted)

12. Assets held for sale and liabilities of assets held for sale

Herblet Lake, Manitoba

Included in Assets held for sale is the Herblet Lake option. In November 2010, the Company entered into an agreement to acquire a 100% interest in certain mining claims in the Herblet Lake area. Subsequent to the end of the quarter, the Company terminated its Herblet Lake option as part of the Purchase and Sale Agreement with Hudbay.

13. Accounts payable and accrued liabilities

	March 31, 2015	December 31, 2013
Mining and exploration suppliers	$ 2,257,741	$ 2,729,897
Corporate payables	1,709,903	1,487,644
Payroll liabilities	693,240	614,487
Royalties payable	5,577,614	4,854,454
	$ 10,238,498	$ 9,686,482

14. Short-term loans

In November 2012, the Company entered into a fully secured bridge financing consisting of a senior, secured note with a face value of US$17,500,000 ($17,372,250) and net proceeds of US$15,500,000 ($15,386,850). The loan is fully secured by the Company's assets, and is subject to various information and affirmative covenants. The financing was for a one-year term and the Company was required to pay cash interest payments starting June 28, 2013 of US$250,000 per month. In addition to the interest payments, the Company granted the lender 2,900,000 warrants to acquire common shares of the Company at an exercise price of $0.27.

In October 2013, the Company entered into a waiver and amendment agreement extending the term of the loan to January 31, 2014 subject to a monthly monitoring fee of US$100,000, with the Company agreeing to re-price the 2,900,000 warrants granted to the lender at a new exercise price of $0.0465, expiring on the original expiry date of November 28, 2015. In August 2014, the Company entered into a sixth amendment agreement with the lenders, extending the maturity date to September 30, 2014.

On October 8, 2014, the lenders delivered to the Company a notice of intention to enforce security pursuant to section 244 of *Bankruptcy and Insolvency Act* (Canada) (the "Act"). The Company and the lender were negotiating the key terms of a forbearance agreement which was not formally executed. Subject to the terms of the forbearance agreement, for a period until March 31, 2015, the lenders would forbear against the enforcement of its security relating to defaults by the Company of the original loan agreement. A forbearance fee of US$650,000 ($743,600) was charged by the lender.

Subsequent to the end of the quarter, the Company sold its Snow Lake project and the proceeds of the sale were used to pay down the short-term loan (Note 28). The Company and the lenders have negotiated a payment amount and timing to comprise full and final settlement of the debt.

At March 31, 2015, the Company carried a term deposit of $3,903,708 which had been designated as restricted cash on the Statements of Financial Position. These funds originally secured a letter of credit on behalf of Kinross Gold Corporation ("Kinross") which would have been refundable upon commercial production at the Snow Lake Mine. The letter of credit expired on December 28, 2014. Subsequent to the end of the quarter, with the sale of the Snow Lake property, these funds were applied against the principal of its short-term loan.

During the three months ended March 31, 2015, the Company incurred interest expense and fees of $1,425,847 (March 31, 2014: $1,166,530).

(Expressed in Canadian dollars unless otherwise noted)

15. Debentures

During 2006, the Company completed a private placement debenture financing with Industrial Alliance Securities Inc. ("Industrial Alliance") raising $4,210,000 in gross proceeds with the issuance of units comprised of $1,000 principal convertible debentures maturing April 28, 2010. On April 28, 2010, the Company entered into agreements with the current holders of the expiring convertible debentures to roll over the existing 6% convertible debentures into units comprised of $1,000 principal amount 10% convertible unsecured subordinated debentures due April 28, 2014. The debenture holders had agreed to an extension of the maturity date to October 1, 2014, however as at March 31, 2015, the Company is in default with respect to the repayment of these debentures and the convertible feature has expired.

The debentures were originally classified as a liability, with the exception of the portion relating to the conversion features, resulting in the carrying value of the debentures being less than its face value. The discount was being accreted over the term of the debentures, utilizing the effective interest rate method at a 15% discount rate. An amount of $nil in accretion of discount and accretion of financing charges was recorded on the condensed interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2015 (March 31, 2014: $165,253). The Company recorded accrued interest of $105,250 for the three months ended March 31, 2015 (March 31, 2014: $nil) in relation to these debentures.

16. Debenture

In March 2014, the Company converted US$1,552,454 of royalties payable to Forbes & Manhattan, Inc. (Note 11) to a debenture which matures on December 31, 2015. The debenture is non-interest bearing and is secured by all the assets and property of the Company subject to security held by the short-term loan described in Note 14 and certain other assets. This debenture was discounted on recognition to US$1,077,142 ($1,190,781) with an amount of $525,457 credited to finance costs on the condensed interim consolidated statement of operations and comprehensive loss during the comparative quarter ended March 31, 2014. The discount is being accreted over the term of the debenture. For the three months ended March 31, 2015, the Company recorded $84,587 in accretion expense with respect to this loan.

17. Provision for closure and reclamation

The Company's provision for closure and reclamation costs is based on management's estimates of costs to abandon and reclaim mineral properties and facilities as well as an estimate of the future timing of the costs to be incurred.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the provision for closure and reclamation associated with the retirement of the Company's plant and mineral properties:

Balance at December 31, 2014	$	3,280,000
Additional provisions recognised		-
Adjustments resulting from re-measurement		144,000
Unwinding of discount and effect of changes in the discount rate		4,500
Balance at March 31, 2015	$	3,428,500
Current portion		563,000
Long-term portion		2,865,500

The Company has assessed its total provision for closure and reclamation and estimated it to be $3,428,500 at March 31, 2015 for continuing assets (December 31, 2014: $3,280,000) based on a total future liability of approximately $3,100,000 (December 31, 2014: $3,100,000). Reclamation is expected to occur in one to five years. Accretion related to these reclamation liabilities totalled $4,500 for the three months ended March 31, 2015 with a re-measurement adjustment of $144,000 recorded at March 31, 2015.

Reclamation for assets held for sale, specifically the Snow Lake property, was reported separately as at March 31, 2015 and December 31, 2014. This is estimated to be $4,694,500 as at March 31, 2015 (December 31, 2015: $4,361,000) based on a total future liability of approximately $3,900,000 for both periods. Reclamation is expected to occur in approximately six years. Accretion related to the Snow Lake reclamation liabilities totalled $10,500 for the three months ended March 31, 2015 with a re-measurement adjustment of $323,000 recorded at March 31, 2015.

(Expressed in Canadian dollars unless otherwise noted)

17. Provision for closure and reclamation (continued)

Through Garson, the Company held term deposits amounting to $5,767,000. These funds were restricted for the reclamation of the Snow Lake property (Note 12). The Company placed funds on deposit as collateral for letters of credit issued to the vendor of the Snow Lake Mine, Kinross Gold Corporation, as well as to the Government of Manitoba, for Garson's share of assumed reclamation and operating obligations. The letters of credit expired on December 28, 2014 and were not renewed by the financial institution carrying them. With the pending sale of the Snow Lake property, the Company reclassified $3,900,000 of the term deposit related to the Kinross letter of credit as restricted cash and subsequent to March 31, 2015, the Company has applied these funds against the principal of its short-term loan (Note 14). An amount of $1,867,000 restricted for the Manitoba government remains in assets held for sale. Subsequent to the end of the quarter, with the completion of the sale of the Snow Lake property and subject to the asset purchase agreement, the Company transferred these funds as well as the reclamation liabilities to Hudbay.

18. Share capital

As at March 31, 2015 and December 31, 2014, the Company's authorized number of common shares was unlimited without par value.

19. Share-based payments reserve

	No. of Options	Weighted Average Exercise Price	Grant Date Fair Value of Options	No. of Warrants	Weighted Average Exercise Price	Grant Date Fair Value of Warrants	TOTAL VALUE
December 31, 2014	2,055,000	$0.56	$ 599,670	2,900,000	$0.05	$ 426,010	$ 1,025,680
Expired	(1,000)	2.00	(240)	-	0.00	-	**(240)**
March 31, 2015	**2,054,000**	**$0.56**	**$ 599,430**	**2,900,000**	**$0.05**	**$ 426,010**	**$ 1,025,440**

The following share-based payment arrangements were in existence as at March 31, 2015:

WARRANTS:

No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
2,900,000	2,900,000	28-Nov-12	28-Nov-15	$ 0.05	$ 426,010	90%	3.00	0%	1.16%

STOCK OPTIONS:

No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Fair value of vested options	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
500	500	9-Jun-10	9-Jun-15	$ 4.68	$ 1,550	$ 1,550	78%	5.00	0%	2.65%
2,500	2,500	4-Nov-10	4-Nov-15	$ 4.40	$ 7,365	$ 7,365	77%	5.00	0%	1.98%
31,750	31,750	10-Feb-11	10-Feb-16	$ 3.30	$ 69,025	$ 69,025	77%	5.00	0%	2.75%
75,000	75,000	6-Jun-11	6-Jun-16	$ 2.00	$ 83,250	$ 83,250	78%	5.00	0%	2.23%
191,250	191,250	29-Nov-11	29-Nov-16	$ 2.00	$ 125,843	$ 125,843	80%	5.00	0%	1.46%
45,500	45,500	8-Jun-12	8-Jun-17	$ 2.00	$ 10,919	$ 10,919	80%	5.00	0%	1.29%
1,707,500	1,707,500	10-Jan-13	10-Jan-18	$ 0.24	$ 301,478	$ 301,478	101%	5.00	0%	1.32%
2,054,000	2,054,000				$ 599,430	$ 599,430				

During the three months ended March 31, 2015 and 2014, no stock options were granted to directors, officers, employees and consultants of the Company. A charge of $nil was recorded to professional, consulting and management fees for the three months ended March 31, 2015 and 2014. The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises.

(Expressed in Canadian dollars unless otherwise noted)

20. Transaction with owners

The Company acquired the non-controlling interest of Garson on April 29, 2010 through the issuance of 327,510 shares. As at March 31, 2015, some shareholders had not yet tendered their Garson shares, and consequently an amount of $148,150 (December 31, 2014: $148,150) is recorded as a commitment to issue shares. The consideration paid was applied against the non-controlling interest and the residual amount of $100,845 was recorded to transactions with owners.

21. Other gains and (losses)

	Three months ended March 31, 2015	Three months ended March 31, 2014
Net foreign exchange (losses)	$ (2,392,101)	$ (963,985)
General exploration expenditures	(4,108)	(3,426)
Gain on sale of assets (Notes 10)	238,069	-
Gain on sale of investments	-	34,407
Unrealized gain arising on financial assets designated as FVTPL	-	355,436
	$ (2,158,140)	$ (577,568)

22. Finance costs

	Three months ended March 31, 2015	Three months ended March 31, 2014
Accretion of reclamation provision (Note 17)	$ (15,000)	$ (29,000)
Accretion of convertible debentures (Note 15)	-	(165,253)
Interest accrued on debentures (Note 15)	(105,250)	-
Discount and accretion of discount on debenture financing (Note 16)	(84,587)	525,457
Interest and fees on short-term loans (Note 14)	(1,425,847)	(1,166,530)
Other interest expense	(8,491)	(50,481)
	$ (1,639,175)	$ (885,807)

23. Net loss per share

Shares issuable from options, warrants and convertible debentures were excluded from the computation of diluted loss per share because their effect would be anti-dilutive for the three months ended March 31, 2015 and 2014.

24. Financial instruments

Financial assets and financial liabilities as at March 31, 2015 were as follows:

March 31, 2015	Loans and receivables, other liabilities	Assets/liabilities at fair value through profit or loss	TOTAL
Cash and cash equivalents	$ 650,703	$ 154,848	$ 805,551
Restricted cash equivalents	-	3,903,708	3,903,708
Amounts receivable	207,288	-	207,288
Investments	-	4,922	4,922
Restricted cash equivalents (assets held for sale)	-	1,867,000	1,867,000
Accounts payable and accrued liabilities	10,238,498	-	10,238,498
Liabilities of assets held for sale	375,058	-	375,058
Short-term loan	21,923,279	-	21,923,279
Debentures	4,803,533	-	4,803,533
Debenture	1,681,219	-	1,681,219

(Expressed in Canadian dollars unless otherwise noted)

24. Financial instruments (continued)

The fair values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, liabilities of assets held for sale, liability component of debentures, short-term loan and debenture approximate fair value due to the short term nature of the financial instruments.

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the statement of financial position. These have been prioritized into three levels.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

The following table sets forth the Company’s financial assets and liabilities measured at fair value by level within the fair value hierarchy as at March 31, 2015.

2015	Level 1	Level 2	Level 3
Cash equivalents	$ -	$ 154,848	$ -
Restricted cash equivalents, current	-	3,903,708	-
Restricted cash equivalents, long-term	-	1,867,000	-
Investments	4,922	-	-

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the three months ended March 31, 2015.

Credit risk

The Company's credit risk is primarily attributable to cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of receivables from related and unrelated companies. The Company currently transacts with highly rated counterparties for the sale of gold. Management believes that the credit risk concentration with respect to these financial instruments is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to endeavour to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2015, the Company had a cash and cash equivalents balance of $805,551 (December 31, 2014: $1,466,330) to settle current liabilities of $44,279,087 (December 31, 2014: $40,559,257). Approximately $9,300,000 of the Company's financial liabilities as at March 31, 2015 have contractual maturities of less than 30 days and are subject to normal trade terms. The Company’s short-term loan was due on November 28, 2013 but the Company entered into agreements with the lenders to extend the term of the loan to September 30, 2014. During the fourth quarter of 2014 the Company negotiated a binding term sheet with the lender setting out the key terms of a forbearance agreement whereby, for a period until March 31, 2015, the lender will forbear against the enforcement of its security relating to defaults by the Company of the original loan agreement (Note 14). Subsequent to the end of the quarter, the Company sold its interest in the Snow Lake property, and has used the proceeds from the sale to pay down this debt. The Company and the lenders have negotiated a payment amount and timing to comprise full and final settlement of the debt.

24. Financial instruments (continued)

Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company carries debentures (Note 15) on which interest is payable quarterly or semi-annually at fixed rates of 10% per annum. The Company's short-term loan also carries a fixed interest rate of 20%, a default interest rate of 27%. Management believes that interest rate risk is remote as investments have maturities of three months or less and the Company currently does not carry interest bearing debt at floating rates.

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. All gold sales revenues are denominated in US dollars. As well, the Company's short-term loan described in Note 14 and debenture described in Note 16 are denominated in US dollars. The Company is exposed to currency risk with fluctuations in the Canadian dollar relative to the US dollar. As at March 31, 2015, the Company did not use derivatives to mitigate its foreign currency risk.

Price risk

The Company is exposed to price risk with respect to commodity prices, specifically gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future gold mining operations will be significantly affected by changes in the market prices for gold. Gold prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for gold, the level of interest rates, the rate of inflation, investment decisions by large holders of gold including governmental reserves and stability of exchange rates can all cause significant fluctuations in gold prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the period:

- The Company does not hold interest-bearing debt at interest rates subject to market fluctuations to give rise to interest rate risk.
- Based on the gold brick and doré inventory held by the Company as at March 31, 2015, a 10% fluctuation in the exchange rate from US$ to CDN$ will generate increases or decreases in value of approximately $84,000.
- Based on the gold brick and doré inventory held by the Company as at March 31, 2015, an increase or decrease in the market price of gold of US$100 per ounce would generate a respective increase or decrease in value of approximately $70,000.
- The Company is carrying a short-term loan and a debenture in US dollars. A 10% change in the CDN$-US$ exchange rate as at March 31, 2015 would generate a change to net loss of approximately $2,360,000.

(Expressed in Canadian dollars unless otherwise noted)

25. Capital management

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is mining out its Lac Herbin deposit and has been generating cash flows to support the ongoing and longer term strategy focused on regional exploration. However, the Company may continue to rely on capital markets to support continued growth. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the three months ended March 31, 2015. The Company and its subsidiary are subject to minimum capital requirements with respects to its short-term loan (Note 14).

No other capital requirements are imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of March 31, 2015, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

26. Related party disclosures

The condensed interim consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, Garson.

During the three months ended March 31, 2015 and 2014, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods and services	
	Three months ended March 31,	
	2015	2014
2227929 Ontario Inc.	$ 42,014	$ 52,304
Forbes & Manhattan, Inc.	146,825	259,637

The Company shares office space with other companies who may have officers or directors in common with the Company. The costs associated with this space, including the provision of office equipment and supplies, and certain other services are administered by 2227929 Ontario Inc. to whom the Company pays a fee. Other companies who share officers and directors with the Company may have similar arrangements with 2227929 Ontario Inc.

Mr. Stan Bharti is the Executive Chairman of Forbes & Manhattan, Inc. Mr. Bharti was a director of the Company until his resignation on March 6, 2012; however as the Company is part of the Forbes & Manhattan Group of Companies, it continues to receive the benefits of such membership, including access to mining professionals, advice from Mr. Bharti, and strategic advice from the Forbes & Manhattan Board of Advisors. An administration fee of $25,000 per month is charged by Forbes & Manhattan, Inc. pursuant to a consulting agreement. Subsequent to the end of the quarter, these fees decreased to $10,000 per month. As well, a 2% royalty is payable on gold sales from the Aurbel properties (including Lac Herbin) to Forbes & Manhattan, Inc. The Company converted US$1,552,454 of royalties owed to Forbes & Manhattan, Inc. to a debenture that matures on December 15, 2015 (Note 16).

(Expressed in Canadian dollars unless otherwise noted)

26. Related party disclosures (continued)

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties				Amounts owed to related parties			
	March 31, 2015		December 31, 2014		March 31, 2015		December 31, 2014	
2227929 Ontario Inc.	$	18,000	$	18,000	$	320,088	$	272,612
Forbes & Manhattan, Inc.	$	-	$	-	$	1,061,389	$	895,182
Forbes & Manhattan, Inc.*	$	-	$	-	$	1,966,338	$	1,801,002
Directors and officers	$	-	$	-	$	82,277	$	114,000

* The Forbes & Manhattan, Inc. debenture is non-interest bearing and is secured by all the assets and property of the Company subject to security held by the short-term loan facility. The amount presented here is non-discounted.

The other amounts outstanding are unsecured, non-interest-bearing with no fixed terms of payments. No guarantees have been given or received. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of key management personnel of the Company
The remuneration of directors and other members of key management personnel during the period were as follows:

	Three months ended March 31,			
	2015		2014	
Short-term benefits	$	234,698	$	286,600
Share-based payments		-		-

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. See also Note 27(a).

27. Commitments and contingencies

(a) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $1,500,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately $770,000, all due within one year.

(b) The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(c) The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at March 31, 2015 and December 31, 2014, no amounts have been accrued related to such matters.

(d) The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax-related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

28. Subsequent events

In April 2015, the Company entered into a definitive agreement to sell its Snow Lake project to a wholly-owned subsidiary of Hudbay Minerals Inc. ("Hudbay"). The Company completed the sale in May 2015. Under the terms of the agreement, Hudbay acquired 100% of the Company's interest in the Snow Lake project for US$12.3 million in cash and a contingent payment of US$5.0 million payable if the price of gold is equal to or greater than US$1400/oz on the third anniversary of the closing date. The Snow Lake project consists of the Snow Lake mine and an associated processing plant, which are currently on care and maintenance, as well as $1,867,000 in cash which supports the closure obligations associated with the property. The $1,867,000 in cash was transferred to Hudbay on closing. The Company incurred costs with respect to this transaction in the amount of $494,000. The Company used the proceeds of the sale, including its right to receive the contingent payment, to pay down the short-term loan (Note 14).

In addition to the sale proceeds, the Company has applied the $3,900,000 that was used as security to Kinross for reclamation obligations (Note 17) against the loan. The Company has negotiated with the lender to come to a mutually satisfactory resolution with respect to the remaining debt outstanding. In order to satisfy the debt obligation, the Company has agreed to a payment schedule whereby the Company will make certain payments to the lender totalling approximately $1,520,000 by August 7, 2015. Upon completion of those payments, the obligation to the lender will be satisfied in full and the lender will provide a release of all security.